

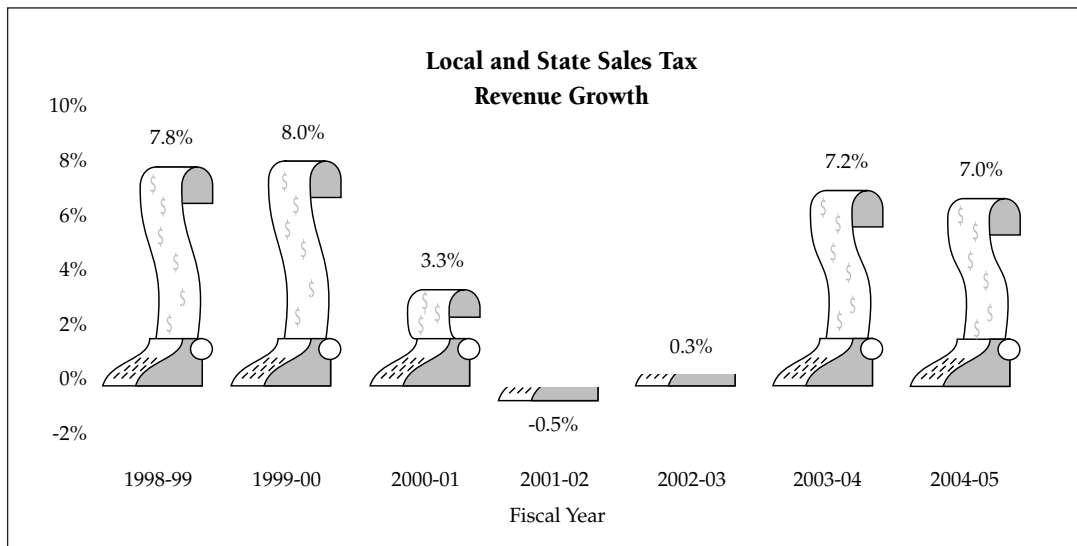
GENERAL FUNDS

Total 2004-05 General Fund revenues are estimated to be \$850.7 million or 6.7 percent more than 2003-04 estimates of \$797.4 million. General Fund revenues consist of four major categories: local taxes, state-shared revenues, primary property taxes, and user fees. Following are descriptions of the revenue sources within these four categories and explanations of 2004-05 revenue estimates.

Local and state sales tax collections represent approximately 57 percent of General Fund revenues. Local and state sales tax collections for 2004-05 are expected to grow by 7 percent over the 2003-04 estimates. This is a slight reduction from the 7.2 percent growth rate anticipated in 2003-04; however, as shown in the chart below, the growth rates

for both years are significantly higher than those experiences in the three years previous to 2003-04.

The table on the opposite page details estimated General Fund revenues by major category.





LOCAL SALES TAXES AND FEES

This major revenue category consists of various local sales taxes, privilege license fees, use tax, and franchise taxes and fees. The 2004-05 estimate is \$361.5 million, which is \$22.4 million or 6.6 percent greater than the 2003-04 estimate of \$339.1 million. The assumptions used to estimate local sales taxes follow.

Local Sales Tax

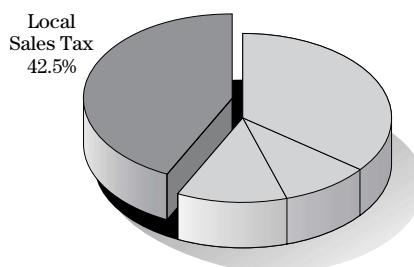
The city of Phoenix's local sales tax consists of 14 general categories that are collected based on a percentage of business income accruing in each category. To protect local businesses, Phoenix also levies a use tax on purchases where no sales taxes were paid. Finally, two additional local taxes are collected based on water service accounts.

Of the 14 categories collected as a percentage of income, all except advertising provide General Fund resources. All but advertising and utilities contribute voter-approved resources for police and fire, parks and preserves, and transit programs. Portions of several

categories and the entire advertising category are restricted to the Civic Plaza fund and/or the Sports Facilities fund. Finally, an additional 2 percent tax on the telecommunications category provides resources for the Capital Construction fund. The table below provides a listing of the local sales tax categories, indicating the specific tax rates for each fund and the total tax rate for each category.

The General Fund portion of the local sales tax estimate is \$351,631,000 for 2004-05. This is an increase of \$22,189,000 or 6.7 percent from the 2003-04 estimate of \$329,442,000. The increase in local sales tax revenue is based on estimated growth of 7.5 percent in the retail sales category, and reflects the economy's continuing improvement. Projected increases in other categories include 6.5 percent for utility and

GENERAL FUNDS
Total Revenues – \$850.7 Million



CURRENT LOCAL SALES TAX RATES BY CATEGORY

	General Fund	Neighborhood Protection	Parks & Preserves	Transit 2000	Civic Plaza	Sports Facilities	Total
Advertising	—	—	—	—	0.5%	—	0.5%
Contracting	0.7%	0.1%	0.1%	0.4%	0.5%	—	1.8%
Job Printing	0.7%	0.1%	0.1%	0.4%	0.5%	—	1.8%
Publishing	0.7%	0.1%	0.1%	0.4%	0.5%	—	1.8%
Transportation and Towing	0.7%	0.1%	0.1%	0.4%	0.5%	—	1.8%
Restaurants and Bars	0.7%	0.1%	0.1%	0.4%	0.5%	—	1.8%
Leases and Rentals/Personal Property	1.2%	0.1%	0.1%	0.4%	—	—	1.8%
Short-Term Motor Vehicle Rental	1.2%	0.1%	0.1%	0.4%	—	2.0%	3.8%
Commercial Rentals	1.3%	0.1%	0.1%	0.4%	—	—	1.9%
Lodging Rentals Under 30 Days	1.2%	0.1%	0.1%	0.4%	2.0%	1.0%	4.8%
Lodging Rentals 30 Days and Over	1.2%	0.1%	0.1%	0.4%	—	—	1.8%
Retail	1.2%	0.1%	0.1%	0.4%	—	—	1.8%
Amusements	1.2%	0.1%	0.1%	0.4%	—	—	1.8%
Utilities	2.7%	—	—	—	—	—	2.7%

* In addition to the 2.7 percent allocated to the General Fund from this category, an additional 2 percent is included on telecommunications and is allocated to the Capital Construction fund for capital improvement streets projects.



franchise, 8.0 percent for commercial rentals, 7.5 percent for restaurants and bars, and 7.5 percent for hotel/motel room rentals.

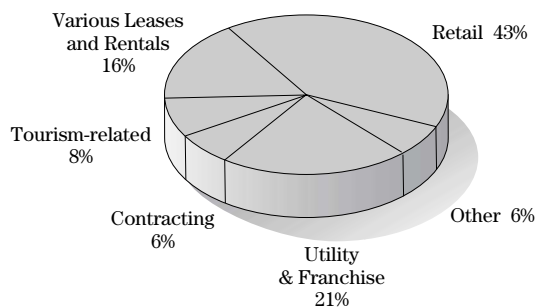
As shown in the pie chart to the right, the retail category represents approximately 43 percent of the General Fund sales tax. Personal income growth, which is used as a trend indicator for retail sales activity, is projected at 7.2 percent for 2004-05. Overall, sales tax growth tends to follow a growth pattern similar to personal income growth.

General Fund sales tax revenue is collected on three rental categories: Leases and Rentals of Personal Property, Commercial Real Property Rentals and Apartment Rentals. For 2004-05, these categories are expected to increase 5 percent, 8 percent and 4 percent respectively. These three categories combined are approximately 16 percent of General Fund sales tax revenue.

The contracting category is expected to increase by 10.7 percent. This is a volatile category; growth rates can change significantly from year to year. For 2004-05, indicators for job creation and population growth predict that residential construction activity will continue, but the growth experienced in previous years will slow. This slowing, however, will be offset by significant commercial construction projects such as the Civic Plaza expansion and Light Rail. This category represents approximately 6 percent of the General Fund sales tax revenue.

The restaurants and bars category and the hotel/motel category are both expected to increase 7.5 percent. These two categories, combined with revenue from short-term motor vehicle rentals, are closely related to tourism activity and continue to benefit from the rebounding tourism industry. Revenues from these tourism-related activities represent approximately 8 percent of General Fund sales tax revenue.

**GENERAL FUNDS
Local Sales Taxes**



The utility tax category is approximately 21 percent of the General Fund sales tax revenue. The category includes electricity, natural and artificial gas, water consumption, sewer service and communications activities. Arizona Public Service and Southwest Gas operate under city franchises, with a 2 percent franchise tax credited against the utility sales tax. The 2004-05 estimate for utility sales and franchise tax revenue is \$74,270,000, which is an increase of 6.5 percent over the 2003-04 estimate.

A use tax is assessed on the purchase of tangible personal property, which is stored, used or consumed within the city, and for which a local sales tax has not been paid at an equivalent rate to the city of Phoenix rate. The tax also applies to items purchased for resale and subsequently used or consumed in the business. The 2004-05 estimate of \$13,500,000 for use tax is 8 percent or \$1,000,000 more than the 2003-04 estimate. This category is subject to variation in purchasing practices, as well as economic drivers. The use tax category is approximately 3.9 percent of the General Fund sales tax revenue.

The following table shows unrestricted General Fund sales tax collections since 2000-01. The amounts shown exclude the two utility tax items that are collected based on water service accounts.

A portion of the utility sales tax is based on water service accounts. The first was implemented on Oct. 1, 1990. The 2004-05 estimate of \$6,110,000 for this category is 2.1 percent higher than the 2003-04 estimate of \$5,985,000. The second provides funding for storm water management programs required by the Environmental Protection Agency. The 2004-05 estimate of \$1,224,000 for this tax is 2 percent greater than the 2003-04 estimate of \$1,200,000. This increase provides for modest growth in accounts.

**GENERAL FUND SALES TAXES
(In Thousands of Dollars)**

Fiscal Year	Revenues	% Change From Previous Year
2000-01	\$307,286	3.6%
2001-02	307,741	0.1
2002-03	307,699	0.0
2003-04 (Est.)	329,442	7.1
2004-05 (Est.)	351,631	6.7



Privilege License Fees

The city charges a \$16 fee to process an application for a privilege tax license and assesses a \$50 annual fee for existing licenses. These fees are intended to recover the costs associated with administering a fair and efficient sales tax system. This category also includes a \$50 annual fee on each apartment complex for non-transient lodging. The 2004-05 estimate for privilege license fee revenue of \$2,401,000 is \$51,000 or 2.2 percent greater than the 2003-04 estimate of \$2,350,000. Historically, the net change in the number of licensed businesses is small.

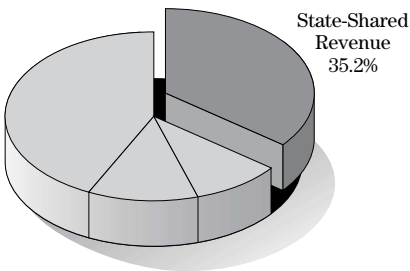
STATE-SHARED REVENUES

This major revenue category consists of the city's share of the state sales tax, the state income tax and vehicle license tax. The 2004-05 estimate for this category is \$299.8 million, which is \$16.4 million or 5.8 percent more than the 2003-04 estimate of \$283.4 million. The increase is mainly due to the projected growth rates of 8 percent in state-shared sales taxes and 8.1 percent in vehicle license taxes. State-shared income tax revenue for 2004-05 is estimated to grow at 2.6 percent over the 2003-04 estimate.

State Sales Tax

The state sales tax rate on most taxable activities is 5.6 percent with several relatively minor categories having tax rates ranging from 2.5 percent to 5.5 percent. The revenues are split between a "distribution base," of which Phoenix receives a share, and a "combined non-shared" category, which is allocated entirely to the state. With exceptions for some categories, the distribution base consists of 40 percent of collections.

GENERAL FUNDS
Total Revenues – \$850.7 Million



The 0.6 percent education tax included in the total tax rate is not included in any distribution base.

Under the current formula, incorporated cities receive 25 percent of the distribution base. These funds are distributed to individual cities on the basis of relative population percentages. Phoenix's share of the distribution to cities for 2004-05 is estimated at 32.6 percent.

The city of Phoenix's share of the state sales tax for 2004-05 is expected to be

\$120,419,000, which is \$8,957,000 or 8 percent more than the 2003-04 estimate of \$111,462,000. This estimate is based on the assumption that, similar to the local economy, the state economy will continue to improve. At the state level, retail sales are anticipated to increase about 7.9 percent over the current fiscal year. The table below shows the cities' share of state sales taxes, Phoenix's allocation and annual increases since 2000-01. The population factor changes only with decade or mid-decade census counts.

STATE SALES TAXES
(In Thousands of Dollars)

Fiscal Year	Cities' Share of State Collections		Phoenix' Share		
	Total	% Change	Percent	Amount	% Change
2000-01	\$ 312,369	3.6%	33.7%	\$105,331	3.6%
2001-02	312,572	0.1	32.7	102,211	(3.0)*
2002-03	319,235	2.1	32.7	103,409	1.2
2003-04 (Est.)	341,908	7.1	32.6**	111,462	7.8
2004-05 (Est.)	369,383	8.0	32.6	120,419	8.0

*Impact of 2000 census population changes.

**The adjustment to the percentage is due to a correction made to the 2000 Census population amount of another Arizona city.



State Income Tax

Beginning in 1973, cities in Arizona shared 15 percent of the actual state personal and corporate income tax collected two years earlier. Individual cities received their portion based on the cities' share of the state population. In 1990, legislation lowered the cities' share of the state income tax to 12.8 percent beginning in the 1992-93 fiscal year. Then in 1994, legislation raised the percentage to 13.6 percent beginning in 1996-97, and 1996 legislation raised the percentage back to 15 percent for the 1997-98 and 1998-99 fiscal years. Legislation in 1997 provided for a 15.8 percent share for the 1999-2000 fiscal year. In the 1999 legislative session, the formula was again reduced to 15 percent share beginning in 2000-01. Until the 1999 legislative action, these changes were enacted by the state in conjunction with revisions to the individual and corporate state income tax in order to keep the cities' share of rate and other changes revenue-neutral. The 1999 change did not hold cities harmless. Legislation in 2002 reduced the formula to a 14.8 percent share for 2002-03 and 2003-04 only, as part of the effort to reduce the anticipated shortfall in the state budget. Without legislative action, the formula will revert to a 15 percent share in 2004-05. The 2004-05 estimate is based on a 15 percent share.

The portion of the state income tax, which will be distributed to cities and towns in 2004-05, is expected to be \$373.1 million. The distribution represents actual individual and corporate income tax collections by the state in the 2002-03 fiscal year. The anticipated \$373.1 million is a 2.2 percent increase from the previous fiscal year, and primarily reflects the increase to a 15 percent share from a 14.8 percent share. The city of Phoenix's portion of

the state income tax is estimated to be approximately 32.6 percent of the 15 percent share distributed to cities. This equates to \$122,271,000 for 2004-05 and is an increase of \$3,114,000 or 2.6 percent from the 2003-04 estimate of \$119,157,000.

The table below shows the total cities' share of state income tax, Phoenix's share, percentage allocation and annual increase since 2000-01. Similar to sales tax sharing, population is changed only on the basis of a census count.

Vehicle License Tax

Vehicle license taxes have been shared with Arizona cities and towns since 1941. The tax is assessed on the basis of an ad valorem rate on each \$100 in value. The value is equal to a percent of the manufacturer's base retail price at the time of initial registration. During each succeeding year, this value is decreased until the established minimum amount is reached. The Arizona Department of Transportation collects and distributes the tax.

STATE INCOME TAX (In Thousands of Dollars)

Fiscal Year	% Shared w/Cities	Cities' Share of State Collections		Phoenix's Share		
		Total	% Change	Percent	Amount	% Change
2000-01	15.0%	\$396,336	5.0%	33.7%	\$133,684	5.0%
2001-02	15.0	421,367	6.3	33.7	137,787	3.1*
2002-03	14.8	429,988	2.0	33.7	140,600	2.0
2003-04 (Est.)	14.8	365,065	(15.1)	32.6**	119,157	(16.4)
2004-05 (Est.)	15.0	373,074	2.2	32.6	122,271	2.6

*Phoenix growth rate is lower than the city share growth due to population changes in the 2000 Census.

**The adjustment to the percentage is due to a correction made to the 2000 Census population amount of another Arizona city.

VEHICLE LICENSE TAX (In Thousands of Dollars)

Fiscal Year	Amount Distributed by Maricopa County	Phoenix's Share		Increase/(Decrease)	
		Percent	Amount	Amount	Percent
2000-01	\$ 89,097	48.5%	\$43,221	\$1,978	4.8%
2001-02	99,443	46.1	45,843	2,622	6.1*
2002-03	103,397	46.1	47,758	1,915	4.2
2003-04 (Est.)	114,534	46.1**	52,800	5,042	10.6
2004-05 (Est.)	123,861	46.1	57,100	4,300	8.1

*Phoenix growth rate is lower than the city share growth due to population changes in the 2000 Census.

**The adjustment to the percentage is due to a correction made to the 2000 Census population amount of another Arizona city..



Currently, 37.61 percent of collections are allocated to the Arizona Highway Users Revenue Fund. The remainder is allocated by percentage to various state funds as well as to the counties and cities. The state is responsible for distributing funds to cities according to their relative population within the county. Based on the 2000 Census, Phoenix's percentage of population within Maricopa County is approximately 46.1 percent. This distribution formula was used in developing the 2004-05 estimate.

Phoenix's share of the vehicle license tax for 2004-05 is anticipated to be \$57,100,000, which is \$4,300,000 or 8.1 percent more than the 2003-04 estimate of \$52,800,000.

The table on page 61 shows the cities' share of the vehicle license tax, Phoenix's share, allocation percentage and annual percentage change since 2000-01.

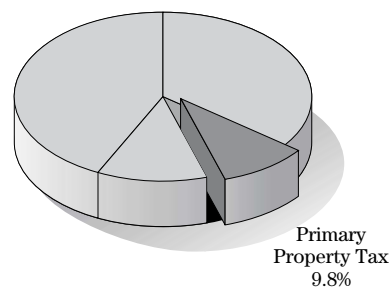
PRIMARY PROPERTY TAX

Arizona property taxes are divided into two levies. The primary levy is used for general operation and maintenance expense. The secondary levy can only be used for general obligation debt service.

The annual increase in the primary property tax levy is limited by the Arizona Constitution to a 2 percent increase over the calculated levy associated with previously assessed property plus an estimated levy for previously unassessed property (primarily new construction). As discussed in the following paragraphs, the city does not currently levy the maximum allowable primary property tax.

Before 1996-97, the maximum levy allowed by the Arizona Constitution had been levied each year. Leading up to 1996-97, due to a number of years of declining assessed valuations, deferral of the property tax-supported Capital Improvement Program was necessary. A new revenue policy was also established. This policy called for a maximum and minimum allowable combined primary

GENERAL FUNDS Total Revenues – \$850.7 Million

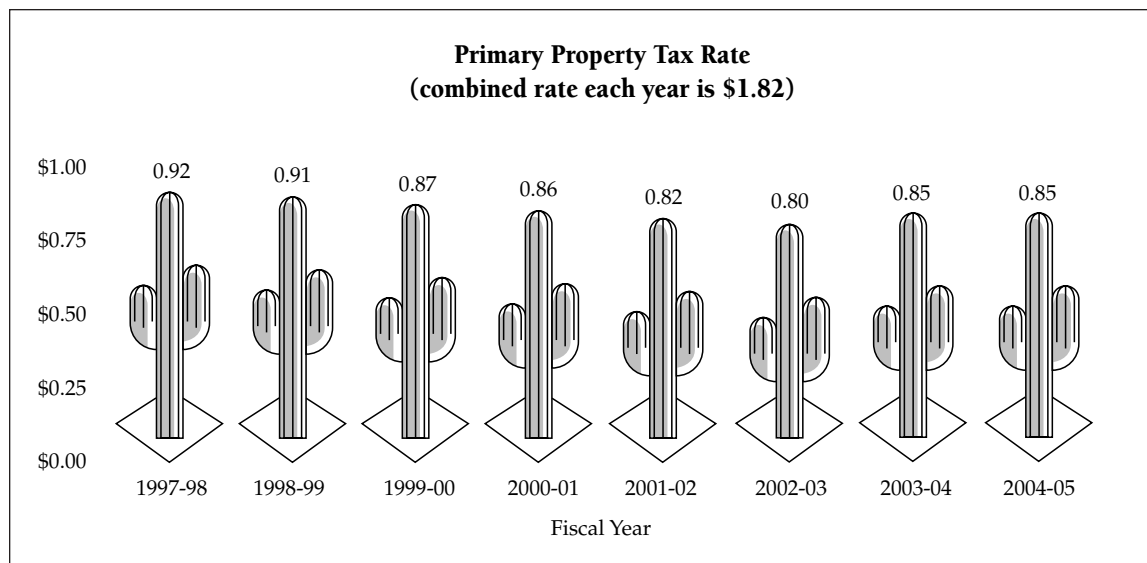


PRIMARY PROPERTY TAX

Fiscal Year	Primary Assessed Valuation (in Billions)	% Change	Primary Levy (in Thousands)	% Change	Rate per \$100 Assessed Valuation
2000-01	\$ 7,024	9.3%	60,407	7.6%	\$.86
2001-02	7,689	9.5	62,753	3.9	.82
2002-03	8,269	7.5	66,003	5.2	.80
2003-04	9,049	9.4	76,915*	16.5	.85
2004-05	9,800	8.3	83,304**	8.3	.85

*Includes \$7,000,000 shifted from secondary property tax levy.

**Includes \$3,000,000 shifted from secondary property tax levy.



and secondary property tax rate. By 1996-97, the application of this revenue policy had driven the combined rate down to the adopted minimum of \$1.82.

In 1997-98, a new policy was adopted that provided for the primary levy to be set at the previous year's levy plus an amount for new construction. Market updates in property values were only to be reflected in the secondary portion, which is discussed in a later section. As shown in the chart above, this policy has caused the primary rate to decline over time. In 2003-04, this policy was deviated from in accordance with a multi-year plan stemming from the 2001 bond planning process. The 2001 bond committee recommended that a total of \$10,000,000 be "shifted" to the primary

property tax levy from the secondary property tax levy over a two-year period. In 2003-04, \$7,000,000 was shifted from the secondary property tax levy; in 2004-05, the remaining \$3,000,000 is shifted from the secondary property tax levy. However, even with the \$3,000,000 shift, the estimated 2004-05 primary levy of \$83,304,000 is less than the maximum levy allowed by the Arizona Constitution and is consistent with current revenue policies.

The estimated 2004-05 primary property tax levy is \$83,304,000, which is 8.3 percent higher than the 2003-04 actual levy of \$76,915,000. The increase in the primary levy reflects estimated collections associated with new properties entering the rolls, plus \$3,000,000 shifted from the secondary property tax levy as discussed earlier. Without the shift, the 2004-05 primary property tax levy would be

4.4 percent higher than the 2003-04 actual levy. The primary assessed valuation of \$9.80 billion is approximately 8.3 percent above the 2003-04 primary assessed valuation of \$9.05 billion.

The 2004-05 levy results in an estimated primary property tax rate of 85 cents per \$100 of assessed valuation. This would result in a secondary property tax rate of 97 cents to maintain a total property tax rate of \$1.82 per \$100 of assessed valuation.

The table on page 62 shows primary assessed valuation, primary property tax levies and primary rates since 2000-01.



USER FEES/OTHER REVENUES

This major revenue category consists of licenses and permits, fines and forfeitures, cable television fees, parks and libraries fees, various user fees designed to recover the costs of providing specific city services, and other miscellaneous General Fund revenue sources. The 2004-05 estimate for this category is \$106.1 million, which is \$8.2 million or 8.4 percent higher than the 2003-04 estimate of \$97.9 million. Following are descriptions of the various categories and explanations of the revenue estimates.

Licenses and Permits

This category consists of various business permit application fees and annual permit fees including liquor license applications, amusement machines, annual liquor licenses and other business license applications and fees. Beginning in 2003-04, the massage practitioner licenses are no longer issued by the city, due to the state of Arizona assuming regulation. Annual loss of revenue from this change is estimated at approximately \$230,000. The 2004-05 estimate of \$2,597,000 is \$37,000 or 1.4 percent greater than the 2003-04 estimate of \$2,560,000.

Cable Communications

The city imposes a 5 percent fee on the gross receipts of cable television licensees in return for the use of streets and public rights of way by cable companies in the provision of cable television service. The 2004-05 estimate of \$8,529,000 is \$327,000 or 4.0 percent greater than the 2003-04 estimate of \$8,202,000. The increase is based on conservative growth in the customer base, plus moderate rate increases of 2 percent and 2.25 percent for the cable providers.

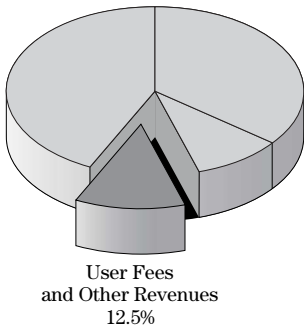
Fines and Forfeitures

This category is comprised of various sanctions including traffic moving violations, criminal offense fines, parking violations, driving under the influence and defensive driving program revenues. The 2004-05 estimate of \$18,690,000 is \$801,000 or 4.5 percent more than the 2003-04 estimate of \$17,889,000. The estimate reflects increases in moving violations and criminal offense fines, plus greater participation in the Defensive Driving Program. Also, state legislation required the city to remit 75 percent of the increase in revenue over prior year in certain fine categories to the state beginning in 2003-04. This requirement will cease in 2004-05.

Court Default Fee

A \$25 default fee was implemented in 1993-94 in order to recover court costs associated with defendants who fail to appear for court appearances or fail to pay previously imposed sanctions on civil traffic violations. The 2004-05 estimate for this revenue category is \$825,000, which is 3.1 percent higher than the 2003-04 estimate and is based on year to date actuals and historical growth patterns.

GENERAL FUNDS
Total Revenues – \$850.7 Million



Engineering and Architectural Services

This user-fee category includes permits for utility construction and fiber optic construction in the public rights of way. It also includes revenues from fees for pavement cut activity. The 2004-05 estimate of \$2,631,000 is \$381,000 or 16.9 percent more than the 2003-04 estimate of \$2,250,000. Included in the 2003-04 estimate are two significant write-offs due to bankruptcies. The 2004-05 estimate returns to normal revenue experience.

Fire Emergency Transportation Service

This user fee includes basic life support and advanced life support services and related charges for mileage and supplies for the provision of ambulance service. The 2004-05 estimate is \$26,545,000, which is \$4,329,000 or 19.5 percent greater than the 2003-04 estimate of \$22,216,000. The increase is primarily due to a full year's impact of the rate increases proposed by the Arizona Department of Health Services.



Hazardous Materials Permit and Inspection Fee

Because incidents involving hazardous materials have increased in recent years, a hazardous materials permit and inspection fee was established in October 2001. Revenues from this category are used to recover costs incurred for inspecting businesses that use hazardous materials. Upon review in 2003-04, the annual permit fee amount was raised. This annual permit now varies from \$400 to \$1,650 and depends on the volume of hazardous materials stored on site. The 2004-05 estimate is \$1.3 million, which is \$300,000 or 30 percent over the 2003-04 estimate.

Library Fees

Library fee and fine revenue for 2004-05 is expected to be \$1,068,000, which is \$85,000 or 8.6 percent above the 2003-04 estimate. The increase is based on year-to-date actuals and analyses of four-year historical trends in fine revenue. In addition, the new Desert Broom Branch Library will open in 2004-05 and will generate new revenues.

Parks and Recreation Fees

This category includes parks concession revenues, swimming pool revenues, fees for the use of various park facilities such as ballfields and recreation programs, activities at Municipal Stadium, Maryvale Stadium and the Papago Baseball Facility and other miscellaneous park fees. The 2004-05 estimate of \$4,014,000 is \$80,000 or 2 percent less than the 2003-04 estimate. This is primarily due to a change in how revenue associated with spring training concessions is reflected in the budget. Because these monies are essentially a “pass through” payment from the concessionaire to the team, it will no longer be reported as revenue.

Planning

User fees in this category include rezoning fees and zoning adjustment fees for use permits and variances, plus fees for administering the impact fee program. The 2004-05 estimate of \$2,844,000 is \$53,000 or 1.9 percent more than the 2003-04 estimate of \$2,791,000. The increase is primarily due to additional revenues estimated to be received from rezoning fees.

Police

The Police Department receives revenues for various services and programs. Police services are provided on a fee-per-hour basis for school and athletic events as well as other activities where a law enforcement presence is desired. In addition, a false alarm program is in place and includes both permit fees and assessments for false alarm responses. For 2004-05, the estimate of \$12,066,000 is 0.7 percent more than the 2003-04 estimate of \$11,986,000. The increase is mainly due to additional police service billings based on anticipated intergovernmental agreements with outside agencies, and increased revenues from false alarm assessments and permit fees. These increases are partially offset by a reduction in the fees charged to reproduce police records and information.

Street Transportation

This user fee category includes permit fees for utility construction in the public rights-of-way as well as utility ordinance inspections. The 2004-05 estimate of \$2,753,000 is 7.4 percent more than the 2003-04 estimate of \$2,564,000. This increase is primarily because of increased revenue from revocable permits and a new right-of-way management program.

Other Service Charges

Revenue in this category is composed of several non-tax sources including interest income, parking meter revenue, the Downtown Enhancement District, in-lieu property taxes, sales of surplus and abandoned property, various rental, parking and concession categories, and miscellaneous categories. The 2004-05 estimate of \$20,770,000 is \$1,664,000 or 8.7 percent more than the 2003-04 estimate of \$19,106,000. This is primarily due to increased interest earnings, plus additional revenue anticipated from rentals and concessions associated with Cricket Pavilion.

All Other Fees

This fee category consists of miscellaneous service charges in the Finance, Housing, Human Services and Neighborhood Services departments. The 2004-05 estimate of \$1,503,000 is \$42,000 or 2.9 percent more than the 2003-04 estimate of \$1,461,000.



NON-GENERAL FUNDS

Non-General fund revenues consist of two major categories: Special Revenue and Enterprise funds. The following sections provide descriptions of the various revenue sources in each category and explanations of 2004-05 revenue estimates. The table on the page 67 provides the 2003-04 and 2004-05 estimates and 2002-03 actual revenue amounts for revenues within these two categories.

SPECIAL REVENUE FUNDS

This category consists of several revenue sources that are earmarked for specific purposes. Included in this category are voter-approved sales taxes for Neighborhood Protection, Parks and Preserves and Transit 2000. Also included in this category are revenue from Court Awards, Development Services, Capital Construction, Sports Facilities, Arizona Highway User Revenue funds, Local Transportation Assistance funds, Public Transit, Community Reinvestment, Secondary Property Tax, grant funds and other revenues.

Neighborhood Protection Sales Tax

This 0.1 percent sales tax rate was approved by the voters in October 1993 and implemented in December 1993. As presented to the voters, the 0.1 percent increase is specifically earmarked for Police Neighborhood Protection programs (70 percent), Police Block Watch programs (5 percent) and Fire Neighborhood Protection programs (25 percent). The 2004-05 estimate of \$25,222,000 is \$1,782,000 or 7.6 percent greater than the 2003-04 estimate of \$23,440,000. These estimates are consistent with those for the same categories in the local sales tax discussion. Also, \$48,000 is estimated in 2003-04 and \$63,000 is estimated in 2004-05 for interest revenue.

Parks and Preserves Sales Tax

The Parks and Preserves sales tax is a 0.1 percent sales tax rate increase approved by voters in September 1999 and implemented in November 1999. Revenues from the 0.1 percent tax are allocated to park improvements and acquisition of desert preserves. Sixty percent of the revenues are to be used for preservation, 30 percent for regional parks, and 10 percent for neighborhood and community parks. The 2004-05 estimate of \$25,160,000 is \$1,769,000 or 7.6 percent more than the 2003-04 estimate of \$23,391,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion.

Also included in this fund are grant revenues received to help acquire preserve land. The estimates anticipate grant revenues of \$2,615,000 in 2003-04 and \$900,000 in 2004-05.

Transit 2000 Funds

The Transit 2000 tax is a 0.4 percent sales tax approved by the voters in March 2000 and implemented in June 2000. The 0.4 percent tax is specifically earmarked for transit programs and improvements. The 2004-05 estimate of \$100,641,000 is \$7,078,000 or 7.6 percent greater than the 2003-04 estimate of \$93,563,000. These estimates are consistent with the estimates for the same categories in the local sales tax discussion.

Also included in this fund are fare box and other miscellaneous transit system revenues. Fare box revenues are the revenues collected by the transit service for bus ridership. The 2004-05 fare box revenue estimate of \$23,330,000 is 1.3 percent greater than the 2003-04 estimate, and reflects the continued expansion of services.

Court Awards Funds

The city of Phoenix receives funds as a result of participation in the arrest and/or prosecution of certain criminal cases. These funds, referred to as Court Awards funds, represent court-ordered forfeitures of seized assets. Their use is limited to the police and prosecutor functions. Revenue estimates are based on cases in progress. The estimate for 2004-05 is \$2,743,000.

Development Services

Revenues in this user fee category include building permits and plans review, subdivision and site plan fees, sign permit fees, and engineering permits and plan review fees. These fees are used to fully support the activities of the Development Services Department. The 2004-05 estimate is \$44,390,000, which is \$570,000 or 1.3 percent more than the 2003-04 estimate of \$43,820,000. With low mortgage rates and affordable new home prices, continued growth in residential building is expected but at a lower rate than in previous years. Also, the 2003-04 estimate includes the impact of a major accounting change in how contracted services for plan review and inspection services are reflected. This change resulted in a one-time increase to the 2003-04 revenues.

Capital Construction

This category includes revenue from a 2 percent increase in the sales tax on telecommunications implemented in February 1998. This tax is intended to reimburse Phoenix citizens for the use of their public rights-of-way by the telecommunications industry. The 2004-05 estimate is \$18.4 million, or a 2 percent increase over 2003-04 estimate. These funds are used primarily for right-of-way improvements in the Street Transportation Capital Improvement Program.

